

AMENDED IN ASSEMBLY JUNE 28, 1999

AMENDED IN SENATE JUNE 1, 1999

AMENDED IN SENATE APRIL 6, 1999

SENATE BILL

No. 661

Introduced by Senator Alarcon

February 24, 1999

~~An act to add and repeal Section 12330 of~~ *An act to add Sections 91559, 91559.1, 91559.2, 91559.3, 91559.4, 91559.5, and 91559.6 to, and to add and repeal Section 91559.7 of, the Government Code, relating to economic development, and making an appropriation therefor.*

LEGISLATIVE COUNSEL'S DIGEST

SB 661, as amended, Alarcon. Economic development lenders.

Existing law establishes ~~various programs and entities to facilitate economic development in the state~~ *the California Industrial Development Financing Advisory Commission to, among other things, assist industrial development authorities in the planning, preparation, marketing, and sale of industrial development revenue bonds.*

This bill would require until January 1, 2005, ~~that the Treasurer to commission~~ establish procedures to evaluate and certify the participation of economic development lenders in a program ~~to allow that allows those lenders to increase or reduce the liquidity of~~ *recapitalize their financial* resources to meet current demands of borrowers; ~~by depositing~~ *selling, or pledging as collateral,* loans ~~with to the Treasurer commission~~

in exchange for cash liquidity, ~~or purchasing securities~~. *This bill would give the commission the authority to issue public debt in the form of bonds, and the power to secure those bonds with the loans sold or pledged to the commission by economic development leaders. The bill would establish the Community and Economic Development Fund in the State Treasury ~~for this purpose~~ and provide that the fund shall be continuously appropriated to the ~~Treasurer~~ commission for purposes of the bill. Revenue generated through the sale of bonds secured by loans sold or pledged to the commission by economic development lenders would be available to recapitalize the Community and Economic Development Fund or a reserve fund.*

This bill would transfer \$5,000,000 from the General Fund to the Community and Economic Development Fund, *a continuously appropriated fund*, to undertake the program, *and thereby would make an appropriation.*

Vote: ²/₃. Appropriation: yes. Fiscal committee: yes. State-mandated local program: no.

The people of the State of California do enact as follows:

1 ~~SECTION 1. Section 12330 is added to the~~
 2 *SECTION 1. Section 91559 is added to the*
 3 *Government Code, to read:*
 4 *91559. (a) The commission is authorized from time*
 5 *to time to issue its negotiable bonds, notes, debentures, or*
 6 *other securities, collectively called "bonds," in order to*
 7 *provide funds for achieving any of its purposes. Without*
 8 *limiting the generality of the foregoing, the bonds may be*
 9 *authorized to finance a single project for a single*
 10 *company, a series of projects for a single company, a series*
 11 *of projects for a single company, or several projects for*
 12 *several participating parties. In anticipation of the sale of*
 13 *these bonds, the commission may issue negotiable bond*
 14 *anticipation notes and may renew the notes from time to*
 15 *time. The notes shall be paid from any revenues of the*
 16 *commission or other moneys available therefor and not*
 17 *otherwise pledged, or from the proceeds of the sale of the*
 18 *bonds of the commission in anticipation of which they*

1 were issued. The notes shall be issued in the same manner
2 as the bonds. The notes and agreements relating to notes
3 and bond anticipation notes, collectively called "notes,"
4 and the resolution or resolutions authorizing the notes
5 may contain any provisions, conditions, or limitations
6 which a bond, agreement relating to the bond, and bond
7 resolution of the commission may contain.

8 (b) Except as may otherwise be expressly provided by
9 the commission, every issue of its bonds or notes shall be
10 general obligations of the commission payable from any
11 revenues or moneys of the commission available therefor
12 and not otherwise pledged, subject only to any
13 agreements with the holders of particular bonds or notes
14 pledging any particular revenues or moneys and subject
15 to any agreements with any company. Notwithstanding
16 that the bonds, notes, or obligations may be payable from
17 a special fund, they shall be, and shall be deemed to be,
18 for all purposes negotiable instruments, subject only to
19 the provisions of the bonds, notes, or other obligations for
20 registration.

21 (c) The bonds may be issued as serial bonds or as term
22 bonds, or the commission, in its discretion, may issue
23 bonds of both types. The bonds shall be authorized by
24 resolution of the commission and shall bear the date or
25 dates, mature at the time or times, not exceeding 40 years
26 from their respective dates, bear interest at the rate or
27 rates, be payable at the time or times, be in the
28 denominations, be in the form, either coupon or
29 registered, carry the registration privileges, be executed
30 in the manner, be payable in lawful money of the United
31 States at the place or places, and be subject to the terms
32 of redemption, as the resolution or resolutions may
33 provide. The bonds or notes may be sold by the Treasurer
34 at public or private sale, for the price or prices and on the
35 terms and conditions as the commission shall determine,
36 after giving due consideration to the recommendations of
37 any company to be assisted from the proceeds of the
38 bonds or notes. Pending preparation of definitive bonds,
39 the Treasurer may issue interim receipts, certificates, or
40 temporary bonds that shall be exchanged for the

1 definitive bonds. The Treasurer may sell any bonds,
2 notes, or other evidence of indebtedness at a price below
3 the par value thereof.

4 (d) Any resolution or resolutions authorizing any
5 bonds or any issue of bonds may contain provisions, which
6 shall be a part of the contract with the holders of the
7 bonds to be authorized, as to the following:

8 (1) Pledging the full faith and credit of the commission
9 or pledging all or any part of the revenues of any project
10 or any revenue-producing contract or contracts made by
11 the commission with any individual, partnership,
12 corporation, or association or other body, public or
13 private, or other moneys of the commission, to secure the
14 payment of the bonds or of any particular issue of bonds,
15 subject to those agreements with bondholders as may
16 then exist.

17 (2) The rentals, fees, purchase payments, loan
18 repayments, and other charges to be charged, and the
19 amounts to be raised in each year thereby, and the use
20 and disposition of the revenues.

21 (3) The setting aside of reserves or sinking funds, and
22 the regulation and disposition thereof.

23 (4) Limitations on the right of the commission or its
24 agent to restrict or regulate the use of the project or
25 projects to be financed out of the proceeds of the bonds
26 or any particular issue of bonds.

27 (5) Limitations on the purpose to which the proceeds
28 of the sale of any issue of bonds then or thereafter to be
29 issued may be applied, and pledging those proceeds to
30 secure the payment of the bonds or any issue of the bonds.

31 (6) Limitations on the issuance of additional bonds, the
32 terms upon which additional bonds may be issued and
33 secured, and the refunding of outstanding bonds.

34 (7) The procedure, if any, by which the terms of any
35 contract with bondholders may be amended or
36 abrogated, the amount of bond that the holders of which
37 are required to consent thereto, and the manner in which
38 the consent may be given.

39 (8) Limitations on expenditures for operating,
40 administrative, or other expenses of the commission.

1 (9) Defining the acts or omissions to act which
2 constitute a default in the duties of the commission to
3 holders of its obligations, and providing the rights and
4 remedies of the holders in the event of a default.

5 (10) The mortgaging of any project and the site of the
6 project for the purpose of securing the bondholders.

7 (11) The mortgaging of land, improvements, or other
8 assets owned by a company for the purpose of securing
9 the bondholders.

10 (12) Procedures for the selection of projects to be
11 financed with the proceeds of the bonds authorized by
12 the resolution, if the bonds are sold in advance of
13 designation of the projects, and participating parties to
14 receive the financing.

15 (e) Neither the members of the commission, nor any
16 person executing the bonds or notes shall be liable
17 personally on the bonds or notes or be subject to any
18 personal liability or accountability by reason of the
19 issuance thereof.

20 (f) The commission shall have the power out of any
21 funds available for these purposes to purchase its bonds
22 or notes. The commission may hold, pledge, cancel, or
23 resell those bonds, subject to and in accordance with
24 agreements with the bondholders.

25 (g) Any funds of the commission, including without
26 limitation, proceeds from the sale of bonds or notes, may
27 be invested in any obligations of any state or local
28 government meeting the requirements of subsection (a)
29 of Section 103 of the Internal Revenue Code of 1986 (26
30 U.S.C. Sec. 103(a)) including mutual funds, trusts, and
31 similar instruments representing a pool of obligations.
32 The Treasurer may adopt regulations providing
33 appropriate investment standards for those investments.
34 If the Treasurer determines it to be necessary to assure
35 compliance with federal tax laws or regulations, the
36 commission may, notwithstanding any other provision of
37 law, deposit funds received as fees from the issuance of its
38 obligations with a bank or trust company acting on behalf
39 of the commission.

1 SEC. 2. Section 91559.1 is added to the Government
2 Code, to read:

3 91559.1. In the discretion of the commission, any
4 bonds issued under the provisions of this article may be
5 secured by a trust agreement by and between the
6 commission and a corporate trustee or trustee, which may
7 be the Treasurer or any trust company or bank having the
8 powers of a trust company within or without the state.
9 The trust agreement or the resolution providing for the
10 issuance of the bonds may pledge or assign the revenues
11 to be received or proceeds of any contract or contracts
12 pledged and may convey or mortgage the project or
13 projects, or any portion thereof, to be financed out of the
14 proceeds of the bonds. The trust agreement or resolution
15 providing for the issuance of the bonds may contain
16 provisions for protecting and enforcing the rights and
17 remedies of the bondholders as may be reasonable and
18 proper and not in violation of the law, including
19 particularly provisions that have been specifically
20 authorized in this article to be included in any resolution
21 or resolutions of the commission authorizing bonds
22 thereof. Any bank or trust company doing business under
23 the laws of this state which may act as depositary of the
24 proceeds of bonds or of revenues or other moneys may
25 furnish indemnifying bonds or pledge securities as may
26 be required by the commission. Any trust agreement may
27 set forth the rights and remedies of the bondholders and
28 of the trustee or trustees, and may restrict the individual
29 right of action by bondholders. In addition to the
30 foregoing, any trust agreement or resolution may contain
31 other provisions as the commission may deem reasonable
32 and proper for the security of the bondholders.
33 Notwithstanding any other provision of law, the
34 Treasurer shall not be deemed to have a conflict of
35 interest by reason of acting as trustee pursuant to this
36 division. All expenses incurred in carrying out the
37 provisions of the trust agreement or resolution may be
38 treated as a part of the cost of the operation of a project.

39 SEC. 3. Section 91559.2 is added to the Government
40 Code, to read:

1 91559.2. Bonds issued under the provisions of this
2 article shall not be deemed to constitute a debt or liability
3 of the state or of any political subdivision thereof, other
4 than the commission, or a pledge of the faith and credit
5 of the state or of any political subdivision, other than the
6 commission, but shall be payable solely from the funds
7 herein provided therefor. All bonds shall contain on the
8 face thereof a statement to the effect: "Neither the faith
9 and credit nor the taxing power of the State of California
10 is pledged to the payment of the principal of or interest
11 on this bond." The issuance of bonds under the provisions
12 of this article shall not directly or indirectly or
13 contingently obligate the state or any political subdivision
14 thereof to levy or to pledge any form of taxation whatever
15 therefor or to make any appropriation for their payment.
16 Nothing contained in this section shall prevent nor be
17 construed to prevent the commission from pledging its
18 full faith and credit to the payment of bonds or issue of
19 bonds authorized pursuant to this article.

20 SEC. 4. Section 91559.3 is added to the Government
21 Code, to read:

22 91559.3. (a) The commission is authorized to issue
23 bonds of the commission for the purpose of refunding any
24 bonds, notes, or securities of the commission then
25 outstanding, including the payment of any redemption
26 premium thereon and any interest accrued or to accrue
27 to the earliest or subsequent date of redemption,
28 purchase, or maturity of those bonds, and, if deemed
29 advisable by the commission, for the additional purpose
30 of paying all or any part of the cost of constructing and
31 acquiring additions, improvements, extensions, or
32 enlargements of a project or any portion thereof.

33 (b) The proceeds of any bonds issued for the purpose
34 of refunding outstanding bonds, notes, or securities may,
35 in the discretion of the commission, be applied to the
36 purchase, retirement at maturity, or redemption prior to
37 maturity, of any outstanding bonds either on their earliest
38 redemption date or dates, any subsequent redemption
39 date or dates, upon their purchase or maturity, or paid to
40 a third person to assume the commission's obligation to

1 *make the payments, and may, pending that application,*
2 *be placed in escrow to be applied to the purchase,*
3 *retirement at maturity, or redemption on the date or*
4 *dates determined by the commission.*

5 *(c) Any proceeds placed in escrow may, pending their*
6 *use, be invested and reinvested in obligations or securities*
7 *authorized by resolutions of the commission, payable or*
8 *maturing at the time or times as are appropriate to assure*
9 *the prompt payment of the principal, interest, and*
10 *redemption premium, if any, of the outstanding bonds to*
11 *be refunded at maturity or redemption of the bonds to be*
12 *refunded either at their earliest redemption date or dates*
13 *or any subsequent redemption date or dates. The interest,*
14 *income, and profits, if any, earned or realized on any*
15 *investment may also be applied to the payment of the*
16 *outstanding bonds to be refunded or to the payment of*
17 *interest on the refunding bonds. After the terms of the*
18 *escrow have been fully satisfied and carried out, any*
19 *balance of the proceeds and interest, income and profits,*
20 *if any, earned or realized on the investments thereof may*
21 *be returned to the commission for use by the commission.*

22 *(d) The portion of the proceeds of any bonds issued for*
23 *the additional purpose of paying all or any part of the cost*
24 *of constructing and acquiring additions, improvements,*
25 *extensions, or enlargements of a project may be invested*
26 *and reinvested in obligations or securities authorized by*
27 *resolution of the commission, maturing not later than the*
28 *time or times when the proceeds will be needed for the*
29 *purpose of paying all or any part of the cost. The interest,*
30 *income, and profits, if any, earned or realized on the*
31 *investments may be applied to the payment of all or any*
32 *part of the cost or may be used by the commission in any*
33 *lawful manner.*

34 *(e) All of those refunding bonds are subject to this*
35 *article in the same manner and to the same extent as*
36 *other bond issued pursuant to this article.*

37 *SEC. 5. Section 91559.4 is added to the Government*
38 *Code, to read:*

39 *91559.4. Bonds, notes, or other securities issued by the*
40 *commission are legal investments for all trust funds, the*

1 funds of all insurance companies, banks, both commercial
2 and savings, trust companies, savings and loan
3 associations, investment companies, administrators,
4 executors, conservators, guardians, trustees, and other
5 fiduciaries, for state school funds, and for any funds which
6 may be invested in county, municipal, or school district
7 bonds; and these bonds, notes, or other securities are
8 securities which may properly and legally be deposited
9 with, and received by, any state or municipal officer or
10 agency or political subdivision of the state for any purpose
11 for which the deposit of bonds or other obligations of the
12 state is now or may hereafter be authorized by law.

13 SEC. 6. Section 91559.5 is added to the Government
14 Code, to read:

15 91559.5. The State of California does pledge to and
16 agree with the holders of the bonds, notes, and other
17 obligations issued pursuant to this article, and with those
18 parties who may enter into contracts with the commission
19 pursuant to the provisions of this article, that the state will
20 not limit, alter, or restrict the rights hereby vested in the
21 commission until the bonds, together with the interest
22 thereon, are fully paid and discharged and those contracts
23 are fully performed on the part of the commission. The
24 commission as agent for the state is authorized to include
25 this pledge and undertaking for the state in those bonds
26 or contracts.

27 SEC. 7. Section 91559.6 is added to the Government
28 Code, to read:

29 91559.6. No liability shall be incurred by the
30 commission beyond the extent to which moneys have
31 been provided under this article; except that for the
32 purposes of meeting the necessary expenses of initial
33 organization and operation until the date that the
34 commission derives revenues or proceeds from bonds or
35 notes as provided under this article, the commission may
36 borrow money as needed for those expenses from any
37 funds available to the commission, including the General
38 Fund. Those borrowed moneys shall be repaid with
39 interest within a reasonable time after the commission

1 receives revenues or proceeds from bonds or notes as
2 provided in this article.

3 SEC. 8. Section 91559.7 is added to the Government
4 Code, to read:

5 91559.7. (a) For purposes of this section, the
6 following terms have the following meanings:

7 (1) "Economic development lenders" may include
8 public, private, or quasi-public community development
9 banks and credit unions, community development loan
10 funds, microenterprise funds, community development
11 corporation-based loan funds, community and economic
12 development venture funds, and revolving loan funds.

13 (2) "Fund" means the Community and Economic
14 Development Fund established pursuant to subdivision
15 (b).

16 (3) "Measured criteria" means evaluation of active
17 loans based upon the lender's original underwriting
18 criteria, including, but not limited to, the payment history
19 of the borrower, the relationship between the lender and
20 borrower, and the borrower's pledged collateral.
21 "Measured criteria" also includes traditional credit risk
22 analysis.

23 (4) "Overcollateralization" means the assignment of
24 collateral in excess of the principal amount of the debt
25 secured by that collateral.

26 (5) "Reserve fund" means cash assets held in the fund
27 to offset loan losses otherwise intended to meet the
28 dividend obligations of the commission pursuant to this
29 section. The reserve fund may be capitalized by the
30 transfer to the fund made by the act adding this section,
31 by loan payments from loans sold or pledged to the
32 commission by economic development lenders pursuant
33 to subdivision (d), and by revenue generated through the
34 bonds secured by those loans.

35 (6) "Subordination" means the commission's right to
36 receive payment on the loans securing the bonds issued
37 by the commission shall be subordinate to the obligations
38 owed to the purchasers of those bonds.

39 (b) The Community and Economic Development
40 Fund is hereby created in the State Treasury and,

1 notwithstanding Section 13340, this fund is continuously
2 appropriated to the commission for purposes of this
3 section.

4 (c) The commission shall establish procedures to
5 evaluate and certify the participation of economic
6 development lenders in the state in a program that allows
7 lenders to recapitalize their financial resources in order
8 to meet the current demands of borrowers.

9 (d) Once certified by the commission to participate in
10 the program, economic development lenders may sell, or
11 pledge as collateral, to the commission current and active
12 loans in exchange for cash liquidity. The amount of cash
13 liquidity available for each loan shall be determined on a
14 loan-by-loan basis, shall be based upon the projected
15 income from the loan and the perceived risk of the loan,
16 and shall provide the economic development lender a
17 reasonable value for the loan asset. The income stream
18 from loans sold or pledged as collateral to the commission
19 shall accrue to the commission in order to regenerate the
20 fund.

21 (e) The commission shall establish procedures to
22 perform due diligence and certification for all economic
23 development lenders seeking to participate in the
24 program. Due diligence shall also be performed for each
25 loan an economic development lender seeks to sell or
26 pledge to the commission pursuant to subdivision (d)
27 based on measured criteria to determine the financial
28 and risk quality of the loan.

29 (f) Loans sold or pledged to the commission pursuant
30 to subdivision (d) shall serve as collateral for bonds issued
31 by the commission. The revenue generated by the
32 issuance of bonds secured by those loans shall be used to
33 regenerate the fund and may also be used by the
34 commission to establish and recapitalize a reserve fund.
35 The commission may provide credit enhancements for
36 these bonds in order to support the credit quality of the
37 bonds and increase their marketability to investors.
38 Credit enhancements by the commission may include,
39 but shall not be limited to, overcollateralization,
40 subordination, third party letters of credit, or a reserve

1 fund dedicated to ensure full and timely repayment of the
2 bonds.

3 (g) The commission shall report to the Governor and
4 the Legislature on or before January 1, 2004, on the
5 effectiveness of this program in creating a secondary
6 market for community and economic development
7 lenders and on any recommended changes to the
8 program established by this section.

9 (h) This section shall remain in effect only until
10 January 1, 2005, and as of that date is repealed, unless a
11 later enacted statute, that is enacted before January 1,
12 2005, deletes or extends that date. This subdivision shall
13 not, however, apply to any bonds secured by loans sold or
14 pledged to the commission pursuant to this section, if
15 those bonds were issued prior to, and remain outstanding
16 on, January 1, 2005. Those bonds shall remain outstanding
17 until their redemption date or until the time that they are
18 purchased or mature, and the commission may issue
19 bonds for the purpose of refunding those outstanding
20 bonds only for the purpose of reducing the commission's
21 borrowing costs, and provided further that the term of
22 the bonds so refunded is not extended. Upon prepayment
23 of the loans securing those bonds, the bonds shall be
24 redeemed as soon as practicable.

25 SEC. 9. The sum of five million dollars (\$5,000,000) is
26 hereby transferred from the General Fund to the
27 Community and Economic Development Fund to carry
28 out Section 91559.7 of the Government Code.

29 Government Code, to read:

30 12330. (a) For purposes of this section, the following
31 terms have the following meanings:

32 (1) "Economic development lenders" may include
33 public, private, or quasi-public community development
34 banks and credit unions, community development loan
35 funds, microenterprise funds, community development
36 corporation-based loan funds, community and economic
37 development venture funds, and revolving loan funds.

38 (2) "Fund" means the Community and Economic
39 Development Fund established pursuant to subdivision
40 (b).

1 ~~(3) “Measured criteria” means evaluation of active~~
2 ~~loans based upon the lenders original criteria, including,~~
3 ~~but not limited to, the payment history of the borrower,~~
4 ~~the relationship between the lender and borrower, and~~
5 ~~the borrowers pledged collateral. “Measured criteria”~~
6 ~~also includes traditional credit risk analysis.~~

7 ~~(4) “Overcollateralization” means assigning collateral~~
8 ~~in excess of accepted standards used by institutional~~
9 ~~investors to determine the credit worthiness of securities.~~

10 ~~(5) “Reserve fund” means cash assets held in the fund~~
11 ~~to offset loan losses otherwise intended to meet the~~
12 ~~dividend obligations of the Treasurer pursuant to this~~
13 ~~section. The reserve fund may be capitalized by the~~
14 ~~appropriation made by the act adding this section, loan~~
15 ~~payments from loans deposited with the Treasurer by~~
16 ~~economic development lenders, and liquidity raised by~~
17 ~~the sales of debt by the Treasurer.~~

18 ~~(b) The Community and Economic Development~~
19 ~~Fund is hereby created in the State Treasury and~~
20 ~~notwithstanding Section 13340, this fund is continuously~~
21 ~~appropriated to the Treasurer for purposes of this section.~~

22 ~~(c) The Treasurer shall establish procedures to~~
23 ~~evaluate and certify the participation of economic~~
24 ~~development lenders in the state in a program that allows~~
25 ~~lenders to increase or reduce the liquidity of resources in~~
26 ~~order to meet the current demands of borrowers.~~

27 ~~(d) The Treasurer may issue public debt for purposes~~
28 ~~of this program, which shall be short to medium term~~
29 ~~instruments for the purpose of generating liquidity for~~
30 ~~the Treasurer to operate the program and serve as~~
31 ~~collateral for investment grade paper issued by the~~
32 ~~Treasurer for the activities undertaken pursuant to~~
33 ~~paragraph (2) of subdivision (c). The liquidity from debt~~
34 ~~issuance shall also be used to establish a loan loss reserve~~
35 ~~fund for loans held by the Treasurer pursuant to~~
36 ~~paragraph (1) of subdivision (c). Debt issued pursuant to~~
37 ~~this section shall be based upon set payment terms, and~~
38 ~~bond repayments shall be made from a combination of~~
39 ~~loan payments and a loan-loss reserve funded by the~~

1 ~~appropriation made by the act adding this section and~~
2 ~~premiums.~~

3 ~~(e) Once certified by the Treasurer to participate in~~
4 ~~the program, lenders may participate in the following~~
5 ~~manner:~~

6 ~~(1) Lenders with limited liquidity may deposit current~~
7 ~~and active loans with the Treasurer in exchange for cash~~
8 ~~liquidity. The amount of cash liquidity available for each~~
9 ~~loan shall be based upon the projected income from the~~
10 ~~loan on a ratio that provides the lender a reasonable value~~
11 ~~for the loan asset. The income stream from loans~~
12 ~~deposited with the Treasurer shall accrue to the~~
13 ~~Treasurer in order to regenerate the cash assets in the~~
14 ~~fund.~~

15 ~~(2) Lenders with excess liquidity may purchase special~~
16 ~~securities issued pursuant to this section from the~~
17 ~~Treasurer as an investment instrument. The liquidity~~
18 ~~generated by the Treasurer through securities sales~~
19 ~~pursuant to this section shall be utilized to recapitalize~~
20 ~~lenders as provided in paragraph (1).~~

21 ~~(f) The Treasurer shall establish procedures to~~
22 ~~perform due diligence and certification for all lenders~~
23 ~~seeking to participate in the program. Due diligence shall~~
24 ~~also be performed for each loan a lender seeks to deposit~~
25 ~~with the Treasurer pursuant to paragraph (1) of~~
26 ~~subdivision (e) based on measured criteria to determine~~
27 ~~the quality of the loan, including, but not limited to, the~~
28 ~~collateral for the loan, current performance, and~~
29 ~~projected future performance.~~

30 ~~(g) At a time to be determined by the Treasurer,~~
31 ~~securities collateralized by the loans deposited with the~~
32 ~~Treasurer pursuant to this section may be sold to private~~
33 ~~sector institutional investors for the purpose of increasing~~
34 ~~the available liquidity in the fund for utilization by~~
35 ~~economic development lenders with limited liquidity.~~
36 ~~The Treasurer may provide credit enhancements for~~
37 ~~these securities in order to support the credit quality of~~
38 ~~the securities and increase their marketability to~~
39 ~~investors. Credit enhancements may include, but shall~~
40 ~~not be limited to, overcollateralization, subordination, or~~

1 ~~a reserve fund dedicated to ensure full and timely~~
2 ~~payment of security dividends.~~

3 ~~(h) The Treasurer shall report to the Governor and~~
4 ~~the Legislature on or before January 1, 2004, on the~~
5 ~~effectiveness of this program in creating a secondary~~
6 ~~market for community and economic development~~
7 ~~lenders and on any recommended changes to the~~
8 ~~program established by this section.~~

9 ~~(i) This section shall remain in effect only until~~
10 ~~January 1, 2005, and as of that date is repealed, unless a~~
11 ~~later enacted statute, that is enacted before January 1,~~
12 ~~2005, deletes or extends that date.~~

13 ~~SEC. 2. The sum of five million dollars (\$5,000,000) is~~
14 ~~hereby transferred from the General Fund to the~~
15 ~~Community and Economic Development Fund to carry~~
16 ~~out Section 12330 of the Government Code.~~

